

STATE OF VERMONT  
PUBLIC SERVICE BOARD

Docket No. 7717

Petition of Vermont Electric Cooperative, Inc., pursuant )  
to 30 V.S.A. § 8003, for a Voluntary Renewable Energy )  
Pricing Program )

Order entered: 8/12/2011

**I. INTRODUCTION**

This case involves a petition filed by Vermont Electric Cooperative, Inc. ("VEC") on January 24, 2011, and supplemented on April 29, 2011. The petition requests, pursuant to 30 V.S.A. § 8003, that the Vermont Public Service Board ("Board") authorize VEC's implementation of a voluntary renewable energy pricing program.

In this Proposal for Decision, after considering the requirements set forth in Section 8003, I recommend that the Board approve the proposed Voluntary Renewable Support Rider.

**II. PROCEDURAL HISTORY**

On January 24, 2011, VEC filed a petition, pursuant to 30 V.S.A. § 8003, requesting that the Board authorize VEC's implementation of a voluntary renewable energy pricing program.

Pursuant to 30 V.S.A. § 8, I was appointed Hearing Officer in this proceeding. On March 22, 2011, I held a prehearing conference in this Docket.

On April 12, 2011, I held a workshop to discuss VEC's proposed voluntary renewable energy pricing program, including how the proposed program meets the Section 8003 criteria. The workshop was attended by representatives of VEC and the Vermont Department of Public Service ("Department").

On April 29, 2011, VEC filed supplemental prefiled testimony and a revised tariff rider based on questions raised in the workshop.

On May 13, 2011, VEC and the Department filed a Memorandum of Understanding ("MOU") and proposed findings of fact. Under the terms of the MOU, parties stipulated to the

admission of the testimony and exhibit filed by VEC and the MOU and its attachments.<sup>1</sup> Additionally, under the terms of the MOU, parties agreed that a technical hearing was not needed, and I conclude that no hearing is needed.

Pursuant to 30 V.S.A. § 8, and based on the record and evidence before me, I hereby report the following findings and conclusions to the Board.

### **III. FINDINGS**

1. VEC is a company as defined in 30 V.S.A. § 201 and holds a Certificate of Public Good issued under 30 V.S.A. § 231. VEC's offices are located at 42 Wescom Road, Johnson, Vermont. Petition at 1.

2. VEC has developed a proposed renewable energy pricing program under 30 V.S.A. § 8003. VEC's proposed Voluntary Renewable Pricing Program ("Program") includes three main components: (1) the use of the statewide Clean Energy Development Fund ("CEDF") to administer and distribute money collected under the Program; (2) VEC's Voluntary Renewable Support Rider ("Rider"); and (3) the marketing of the Program through the VEC Green Team Card. Pratt pf. supp. at 3.

3. The Program's purpose is to increase VEC's reliance on, and its customers' support of, renewable sources of energy, as required by Section 8003(a). Pratt pf. at 9.

4. The MOU provides that VEC will distribute Program funds to the CEDF and that the CEDF will earmark funds contributed by VEC for projects within VEC's service territory, where feasible. In the event that earmarking funds for projects within VEC's territory is not feasible, the CEDF will not distribute VEC's Program funds to other service territories and shall maintain the Program funds until it is feasible to earmark them for a project in VEC's territory. Exh. Joint-1 at 2.

5. The MOU provides that the CEDF will earmark VEC's funds for its grant program and not charge VEC an administrative fee. The Department reserves the right to revisit whether VEC

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1. I hereby admit the following documents in the record as evidence in this proceeding: Prefiled Testimony of Randall Pratt; Supplemental Prefiled Testimony of Randall Pratt; Revised Tariff Rider - Sheets 107 and 108 as Exh. VEC-Pratt-1R; and the MOU as Exh. Joint 1.

should be charged an administrative fee at the end of one year of Program implementation. In the event that VEC would like CEDF to earmark the Program funds for the small scale renewable energy incentive program, the Department and VEC will then negotiate a third-party administration fee. Exh. Joint-1 at 2.

6. The MOU indicates that the parties expect the Program funds to be used to fund projects in VEC's territory which are eligible for a CEDF grant, but for which there are insufficient CEDF funds to complete the project. Exh. Joint-1 at 2.

7. The Program will save costs associated with processing applications for proceeds from the Program by having CEDF administering the funds. VEC will retain responsibility for marketing the Program to its members. Pratt pf. supp. at 5.

8. VEC will issue a tariff Rider for the Program. The Rider will be a new addition for inclusion in VEC's Electric Service Tariff. The Rider will set out terms and conditions pursuant to which a member may enroll to participate in the Program. Members who receive service under the Rider will continue to be subject to the rates, terms, and conditions of the rate schedule under which they are currently served, as well as the general rules and regulations contained in VEC's Tariff. Pratt pf. at 5; exh. VEC-Pratt-1R.

9. VEC will offer the Program to members taking retail electric service from VEC under any of its Tariff rate schedules, except for street lighting Service Classification #4. Since the Program will be available to members of all VEC's rate classes, except street lighting, it is reasonable to incorporate all provisions of service in one section of the tariff rather than repeat identical provisions in multiple rate classes on multiple tariff sheets. Pratt pf. at 3-4.

10. The service provided under the Rider will be voluntary. An interested member may choose to enroll in the Program at any time once the Rider is in effect. To be eligible to participate in the Program, an interested member must have an account that is current (i.e., no past due balance) and must have paid, on time, all charges for electric service due during the previous two billing months. New members are eligible to participate immediately. Pratt pf. at 3.

11. If a member who has enrolled in the Program does not pay his or her electric service account within two months from the date of the bill, VEC will remove the member from the

Program and will retroactively adjust his or her account to remove the past due charges for Rider service. Removal from the Program will be retroactive to the date of the initial past due Rider service amount. Any disconnection notice sent to the member during this period will not include the past due amounts for Rider service. In this manner, no past due Rider charges will remain on a member's account and no member will be disconnected for past due Rider charges. Pratt pf. at 13.

12. At least annually, VEC will notify Rider service members that they are participating in the Program and that they are paying a premium for Rider service. The notice will also provide information on how to withdraw from the Rider. Pratt pf. at 13.

13. For industrial customers, VEC will ask for at least a one-year commitment. Members served under these rates have large electric usages and therefore can affect the demand for the Program more than individual residential or commercial members. Pratt pf. supp. at 4.

14. The Program will raise funds by a fixed, voluntary, monthly contribution as follows:

Residential:

Fancy Level	\$18.00/month
Grade A Level	\$9.00/month
Grade B Level	\$4.50/month

Non-Demand Commercial (General Service):

Fancy Level	\$45.00/month
Grade A Level	\$22.50/month
Grade B Level	\$11.25/month

Demand Commercial (General Service):

Fancy Level	\$960/month
Grade A Level	\$480/month
Grade B Level	\$240/month

Industrial:

Fancy Level	100% of the average monthly kWh x \$0.03
Grade A Level	50% of the average monthly kWh x \$0.03
Grade B Level	25% of the average monthly kWh x \$0.03

Exh. VEC-Pratt-IR.

15. The voluntary contribution under the Program is cost-based and reasonably reflects the difference between acquiring the renewable energy and VEC's alternative cost of power, as

required by Section 8003(c). The maximum monthly contribution approximately reflects the increase in price between power from a renewable resource versus a non-renewable resource. The current market price from a wind resource is about \$105 per MWh and the price from non-renewable resources ranges from \$50 to \$80 per MWh, with the difference being \$25 to \$55 per MWh. Pratt pf. at 5 and 8; Pratt pf. supp. at 4.

16. The maximum monthly contribution is intended to approximate what an average customer (i.e., 600 kWh per month) would pay if it were to purchase Renewable Energy Credits ("RECs") at \$0.03 per kWh to offset its total average consumption. The price of RECs have fluctuated in the past few years between \$0.02 per kWh and \$0.05 per kWh; a \$30 per MWh price falls within that range. Pratt pf. at 5; Pratt pf. supp. at 4.

17. VEC will review the voluntary contributions under the Program annually, and if VEC determines that a change in contribution is warranted, VEC will file for Board approval. Pratt pf. at 6.

18. The voluntary contribution under the Program and marketing and administrative costs will be borne solely by those customers who elect to participate in the renewable pricing program, consistent with Section 8003(c). Petition at 2; Pratt pf. at 6 and 15.

19. VEC plans to name the Program the VEC Green Team Card, so that it can market the Program to interested members in a manner that promotes the introduction of new renewable resources into the Vermont supply mix. VEC plans to obtain a trademark for the VEC Green Team Card. Pratt pf. at 12; Pratt pf. supp. at 3.

20. VEC has developed an initial marketing plan to promote Program participation. VEC will rely upon a variety of low-cost existing media to publicize the availability of Rider service, including VEC's quarterly member newsletter, VEC's website, VEC bill inserts and on-bill messages, media contacts, and speaking engagements in the community. Pratt pf. at 11.

21. The notices to customers under the Program will be accurate, reasonably supported by objective data, and will disclose the types of technologies used, and that the energy is Vermont-based, consistent with Section 8003(e). Petition at 2; Pratt pf. at 12; Pratt pf. supp. at 3.

22. VEC anticipates spending approximately \$2,000 per year on administrative and marketing costs. Pratt pf. supp. at 3.

23. The most successful voluntary renewable pricing programs in the country (including Central Vermont Public Service Corporation's Cow Power program) have seen participation rates of two percent of their customers. The Program is expected to generate about \$30,000 to \$50,000 per year, or as much as \$75,000 per year assuming a two-percent participation. Pratt pf. at 6.

24. The MOU provides that VEC will file annual reports with the Board and Department beginning one year from the effective date of the Program. The report will include: (1) the number of customers who participated; (2) the total funds contributed to the Program; (3) the incremental costs incurred in marketing and program administration; and (4) the identification of barriers to Program success and VEC's recommendations for overcoming those barriers. Exh. Joint-1 at 3.

25. The MOU provides that VEC will work with the Department to identify changes to the Program that may improve its effectiveness and will seek Board approval of such changes as necessary. Exh. Joint-1 at 3.

#### **IV. DISCUSSION**

Title 30 V.S.A. § 8003(a) through (e)<sup>2</sup> sets forth several requirements for voluntary renewable energy pricing programs, and Section 8003(g) sets forth several factors that the Board must consider when reviewing a proposed renewable pricing program. For the reasons set forth below, and after considering the factors set forth in Section 8003(g), I conclude that VEC's proposed Program and Rider meet the statutory requirements for renewable pricing programs.

Pursuant to Section 8003(a), an electric utility, municipal department, or electric cooperative may implement a renewable energy pricing program for its customers, or offer customers the option of making a voluntary contribution to the CEDF<sup>3</sup> established under 10 V.S.A. § 6523. In addition, pursuant to Section 8003(a), such renewable energy pricing programs may include tariffs, standard special contracts, or other arrangements "whose purpose

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2. Section 8003(f) is deleted.

3. The CEDF is managed by the Department.

is to increase the company's reliance on, or the customer's support of, renewable sources of energy or the type and quantity of renewable energy resources available."

VEC proposes the use of the CEDF to administer and distribute money collected under its renewable energy pricing program. Under the Program, the CEDF will earmark funds contributed by VEC for projects within VEC's service territory, where feasible, allowing VEC to increase reliance on, and its customers' support of, renewable sources of energy, consistent with Section 8003(a).

Pursuant to Section 8003(c),<sup>4</sup> renewable pricing programs may be priced in the form of a premium relative to the tariff that would otherwise apply, provided the premium shall be cost-based, shall reasonably reflect the difference between acquiring the renewable energy and the utility's alternative cost of power, and shall be adjusted via periodic adjustment mechanisms as the Board shall approve as part of a renewable pricing program. In addition, pursuant to Section 8003(c), any renewable pricing program shall require that any costs of power in excess of the company's alternative cost of power shall be borne solely by those customers who elect to participate in the renewable pricing program.

The voluntary contribution under the Program is cost-based and reasonably reflects the difference between acquiring the renewable energy and VEC's alternative cost of power, and identifies a mechanism for periodic adjustment. The maximum monthly contribution under the Program approximately reflects the increase in price between power from a renewable resource versus a non-renewable resource or approximately reflects what an average customer would pay if it were to purchase RECs to offset their total average consumption. The Program will maintain the voluntary contribution at a fixed level, but will review the contribution levels annually, and request Board approval for any changes. The Program does not require the purchase of renewable power, but rather provides a contribution to the CEDF. The cost of the Program, including administrative costs, will be borne solely by those customers who elect to participate in the renewable pricing program.

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4. Section 8003(b) does not apply in this instance. It refers to standard special contracts for renewable pricing; this is not the form that VEC has chosen to use for its renewable pricing program.

Pursuant to Section 8003(e),<sup>5</sup> the Board shall ensure "that disclosures and representations made regarding renewable pricing programs are accurate, are reasonably supported by objective data, disclose the types of technologies used," and "whether the energy is Vermont-based or not."<sup>6</sup>

VEC plans to name the Program the VEC Green Team Card and has developed a marketing plan to promote Program participation to VEC customers that includes VEC's quarterly member newsletter, VEC bill inserts and on-bill messages, and use of VEC's website. The customer communications and marketing will ensure that customers have clear and accurate information about the Program. VEC's decision to direct the voluntary contributions from its customers to the CEDF ensures the funds will be used for the development of renewable technologies and that the energy is Vermont-based.

Section 8003(g) requires the Board to consider the following in reviewing a proposed renewable energy pricing program:

- (1) minimization of marketing and administrative expenses;
- (2) auditing or certification of sources of energy or tradeable renewable energy credits;
- (3) marketing and promotion plans;
- (4) effectiveness of the program in meeting the goals of promoting renewable energy generation and public understanding of renewable energy sources in Vermont;
- (5) retention by the program of renewable energy production incentives, tax incentives and other incentives earned or otherwise obtained by energy resources acquired pursuant to or as part of a renewable energy pricing program approved under this section to reduce the cost of any premiums paid under this section; and
- (6) costs imposed on non-participating customers arising on account of the implementation of the voluntary renewable energy pricing program.

The Program includes the use of the CEDF to administer and distribute money collected under the Program. The benefit of this approach is to minimize administrative expenses

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5. Section 8003(d) does not apply in this instance. It refers to renewable energy credits; since the Program will direct the voluntary contributions from its customers to the CEDF, renewable energy credits will not be permanently retired by or on behalf of the program's subscribers.

6. Section 8003(e) requires disclosures regarding renewable energy credits that do not apply in this instance, as explained in footnote 4, above.



associated with identifying and vetting projects to receive proceeds from the Program. VEC will provide marketing for the Program but plans to do that using existing, in-house resources, such as communications it already sends to members. The expected administrative and marketing costs for the Program are small in comparison to the expected amount of customer contributions. Therefore, I conclude that the Program is consistent with Sections 8001(g)(1) and (3).

Under the terms of the MOU, the CEDF will earmark funds contributed by VEC for projects within VEC's service territory, where feasible, and will not charge VEC an administrative fee. The MOU allows for the Department to reserve the right to revisit whether VEC should be charged an administrative fee at the end of one year of Program implementation. The Department and VEC would then negotiate a third-party administration fee. Given the potential impacts to Program administrative costs, I recommend that the Board require VEC to obtain Board approval before the implementation of any third-party administrative fee.

Because the Program directs the voluntary contributions from customers to the CEDF and does not involve acquiring either renewable generation resources or RECs, Sections 8003(g)(2) and (5) are not applicable.

With regard to Section 8003(g)(4), I conclude, given that the voluntary funds will be directed to the CEDF and the proposed marketing plan, the Program will be reasonably effective in meeting the goals of promoting renewable energy generation and public understanding of renewable energy sources in Vermont. In order to monitor the Program's effectiveness, the MOU provides that VEC will file a report annually with the Department and the Board outlining the performance of the Program. In addition, the MOU provides that VEC will work with the Department to identify changes to the Program that may improve its effectiveness and seek Board approval of such changes as necessary.

With regard to Section 8003(g)(6), I conclude that any costs imposed on non-participating members will be minimal. The Program will raise funds by a fixed, voluntary, monthly contribution from participating customers and will have low marketing and administrative costs, which will be paid for through the funds raised by the Program.

Under the terms of the MOU, parties agreed to a proposed Voluntary Renewable Support Rider, sheets 107 and 108, with an effective date of July 2, 2011. I recommend the Board require

VEC to file with the Board revised Rider sheets 107 and 108 with an effective date of today's Order.

#### **V. CONCLUSION**

Based upon all the above evidence, I find that the proposed Program and Rider meets the requirements for utility pricing programs set forth in 30 V.S.A. § 8003. The Rider has been developed and designed in a manner that adequately addresses the factors that must be taken into account by the Board pursuant to 30 V.S.A. § 8003(g). I recommend that the Board approve the MOU between the Department and VEC and the proposed Voluntary Renewable Support Rider.

Because this Proposal for Decision recommends approval of the MOU in its entirety, it is not adverse to any party, and therefore, has not been circulated among the parties pursuant to 3 V.S.A. § 811.

Dated at Montpelier, Vermont, this 5<sup>th</sup> day of August, 2011.

s/Mary Jo Krolewski

Mary Jo Krolewski  
Hearing Officer

**V. ORDER**

IT IS HEREBY ORDERED, ADJUDGED AND DECREED by the Public Service Board of the State of Vermont that:

1. The findings of fact, conclusions of law and recommendations of the Hearing Officer are adopted.
2. The Voluntary Renewable Support Rider and the Memorandum of Understanding among Vermont Electric Cooperative, Inc. ("VEC") and the Vermont Department of Public Service ("Department"), are approved.
3. Within seven business days of this Order, VEC shall file a compliance tariff for Rider sheets 107 and 108 reflecting an effective date of today's Order.
4. Thirty days after the Rider has been in effect for one year (on a bills-rendered basis) and annually after that, VEC shall file an annual report with the Department and the Board outlining the performance of the Program. The report shall include: (1) the number of people who participated; (2) the total funds contributed to the Program; (3) the incremental costs incurred in marketing and program administration; and (4) the identification of any barriers to success and VEC's recommendations for overcoming them.
5. VEC is required to obtain prior Board approval before the implementation of any third-party administrative fee negotiated under the terms of the Memorandum of Understanding.

Dated at Montpelier, Vermont, this 12<sup>th</sup> day of August, 2011.

<u>s/James Volz</u>	)	
	)	PUBLIC SERVICE
	)	
<u>s/David C. Coen</u>	)	BOARD
	)	
	)	OF VERMONT
<u>s/John D. Burke</u>	)	

OFFICE OF THE CLERK

FILED: August 12, 2011

ATTEST: s/Susan M. Hudson  
Clerk of the Board

*NOTICE TO READERS: This decision is subject to revision of technical errors. Readers are requested to notify the Clerk of the Board (by e-mail, telephone, or in writing) of any apparent errors, in order that any necessary corrections may be made. (E-mail address: psb.clerk@state.vt.us)*

*Appeal of this decision to the Supreme Court of Vermont must be filed with the Clerk of the Board within thirty days. Appeal will not stay the effect of this Order, absent further Order by this Board or appropriate action by the Supreme Court of Vermont. Motions for reconsideration or stay, if any, must be filed with the Clerk of the Board within ten days of the date of this decision and order.*